HOUSING MARKET OUTLOOK
Vancouver and Abbotsford CMAs

CANADA MORTGAGE AND HOUSING CORPORATION

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Vancouver Highlights

Home sales will continue at a brisk pace through the remainder of this year and into 2010. More sales combined with fewer active listings will push the average MLS® home price higher in 2010.[1]

Home starts will pick up over the next 15 months, but remain below levels recorded in recent years.

The upturn in the resale market will contribute to an increase in home starts as builders see demand returning to the market. New and resale home inventories are being absorbed, providing an incentive to start new residential projects.

Steady population growth through migration, an improving job market and low mortgage rates will provide support for homeownership demand through 2010.

Figure 1

Leading Indicator Bounces into Sellers' Territory

Source: REBGV. Seasonal Adjustment by CMHC. MLS® is a registered trademark of the Canadian Real Estate Association

[1] The forecasts included in this document are based on information available as of October 1, 2009.

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Resale Market

Housing market conditions in Greater Vancouver[1] will favour home sellers into the first half of next year. The recovery of home sales that began during the spring and summer months will continue into 2010. Home sales ramped up during the past few months due to lower home prices and low mortgage rates. These two factors, combined with increasing real wages, have meant improved affordability for home buyers. While home prices are rising, continued low mortgage rates into mid 2010 will keep home buyers active. Home sales in the first few months of 2010 may be below average, as transportation route changes associated with the Olympic Games hamper mobility.

The number of active resale listings will be near the five-year average level next year. After peaking in fall 2008, active listings have trended lower. While the flow of new listings entering the market has been increasing, high sales levels have kept the total stock of active listings dwindling in recent months. The recent upturn in home prices may draw more sellers to the market, increasing the supply of homes for sale. Look for more balanced market conditions to prevail in the second half of 2010.

Home prices in most Vancouver municipalities will continue to trend up in 2010, but at a modest pace of two to four per cent. Home prices hit their lowest point in March of 2009, having fallen 17 per cent from their peak level. In just six months, the average price in Greater Vancouver sat approximately two per cent below the peak value. However, the recovery in home prices has been uneven across the region. While prices in the City of Vancouver have already surpassed the previous peak, prices in other centres remain well below peak levels (see figure 2). These centres with prices still below peak, will see prices trending up over the next 15 months, as buyers take advantage of lower prices and favourable mortgage interest rates.

Figure 2

Prices Below Peak Level

Sources: REBGV, Fraser Valley Real Estate Board (FVREB)
% Change CMHC Calculation – peak (varies by area) to Sept. 09, seasonally adjusted prices

New Home Construction

New home construction will pick up in 2010, but remain below the pace of recent years. After pulling back in 2009, homebuilding will start to gain some momentum as tight resale conditions, low levels of new home inventories and improving economic fundamentals lift prices. On the resale side, increasing sales and lower listing inventories are evidence of demand returning. Meanwhile, the number of new homes under construction is at its lowest point in four years and strong absorptions have kept the inventory of completed and unabsorbed new homes flat since the beginning of the year. Demand for new homes in 2010 will also be supported by steady migration to the region, improvement in the economy and job market and mortgage rates that are expected to remain low until mid-year. These factors combined will encourage a moderate up-tick in homebuilding next year.

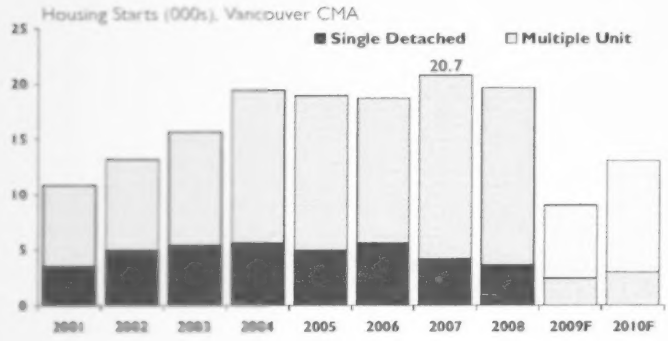
Multiple unit (apartment and townhouse) construction will recover at a faster pace than single-detached home building over the next year. In 2009, builders focused on smaller phased projects. Next year, some larger apartment projects that were put on hold during the past year will break ground, contributing to the increase in multi-family construction.

Despite the recent slowdown in new home starts, a good supply of projects already underway will ensure a steady flow of new homes available for purchase. Absorptions of new homes have fallen marginally from year-earlier levels, but remain robust, a trend that will continue into 2010.

[1] This section deals with the resale market in the Real Estate Board of Greater Vancouver area. This area does not include Surrey, Langley, White Rock, or North Delta. Please see the Fraser Valley resale section for commentary on these communities.

Figure 3

Home Starts Edge up in 2010



While the inventory of completed and unabsorbed new homes is higher this year than last, it is no longer increasing. Improving demand conditions will extend this pattern into the year ahead.

Economy

Housing demand will be sustained by steady population growth, an improving job market and low mortgage interest rates during the next 15 months. Vancouver's population will add more than 35,000 people on an annual basis, mainly through migration. This will translate into more than 16,000 new households in need of homes. More people employed will boost homeownership demand through 2010. With mortgage rates slated to stay low and home prices off their peak in most municipalities, some first time homebuyers will use this opportunity to make the move to home ownership.

The Vancouver economy will continue to recover from the economic downturn of the past year. Total employment has been trending up since April; however the gains have been concentrated in part-time jobs, as companies have attempted to stay lean and flexible to deal with the current climate of economic uncertainty. As the economy improves, more full-time jobs will be added. The net loss of full-time jobs and an unemployment rate that is high compared to recent years will mean a slow recovery through 2010.

Private sector investment in commercial construction and public infrastructure investment will contribute to growth in the Vancouver economy. As the economy picks up in the year ahead, there are $26 billion in proposed major projects that will increase employment. The largest of these projects include a residential development in Langley and a transit security project in Vancouver. In addition, there is nearly $5 billion in major projects currently on hold.

Although most of the economic boost from the 2010 Olympic Games has already been realized through venue construction and transportation projects, there will be a short-term up-tick in retail spending and tourism early in the year. Increased consumer spending will fuel growth in the region. Completion of the Canada Line Skytrain route will open up the downtown to airport corridor for denser housing projects.

Mortgage Rates

The Bank of Canada cut the Target for the Overnight Rate in the early months of 2009. The rate was 1.50 per cent at the start of 2009 and has since fallen to 0.25 per cent. The Bank has committed to keeping this rate at 0.25 per cent through the middle of 2010 unless inflationary pressures warrant an increase.

Mortgage rates have fallen over the course of 2009, but are now expected to remain relatively stable for the rest of the year. Posted mortgage rates will gradually increase through 2010, but will do so at a slow pace. For 2010, the one-year posted mortgage rate will be in the 3.50-4.25 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.50-6.00 per cent range.

Fraser Valley Highlights

Fraser Valley Resales to Increase

Resales in the Fraser Valley are expected to increase next year. Low interest rates and lower prices pushed resales up considerably during mid 2009 and will continue to lift the level of home sales through the first half of 2010. Growth in the local economy and more jobs will help offset the impact on housing demand from slight increases in mortgage rates that are

forecast for later next year. Overall, expect existing home sales to be up 10 to 20 per cent in 2009, and a further one to five per cent increase in 2010.

Existing home sales in the Abbotsford CMA will follow a similar pattern. However the pace of sales has lagged other centres that make up the Fraser Valley housing market. Most of the sales have taken place in centres closer to the Vancouver core, such as Surrey and Langley. The number of home sales has risen in the second half of the year in the CMA, but the annual total will fall short of 2008 total sales. Continued homeownership demand in the region will bring an increase in sales in 2010.

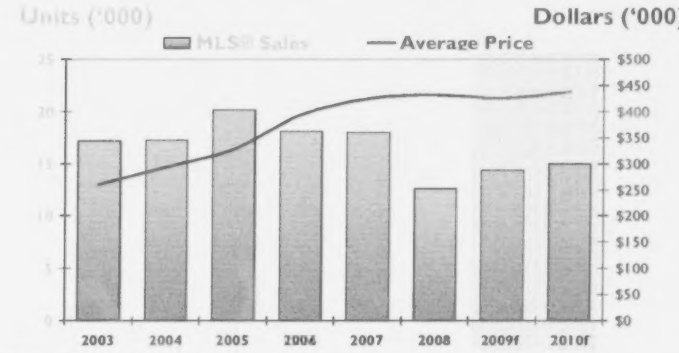
Low supply and rising demand will keep Fraser Valley markets in favour of sellers. The number of new listings has declined in 2009 by 20 to 25 per cent. More homes will be available on the market in 2010 as rising prices encourage potential existing sellers to list. As well, a number of new homes are expected to be completed throughout next year, bringing on more supply.

Home prices will increase at a modest pace. Prices have adjusted upward after the economic uncertainty that dampened home sales and prices during the last half of 2008 and earlier this year. Low mortgage rates increased buyer's power, pushing up average home prices. Despite expected upward movement in mortgage rates in the next year, rates will remain relatively low. Prices will increase from one to five per cent in 2010.

Home prices in Abbotsford will follow the resale market trends in the Fraser Valley. Prices have been moving upward throughout the year and will rise in 2010. Future buyers will be attracted by prices that are on average twenty to thirty per cent less than prices of homes in the Vancouver CMA.

Figure 4

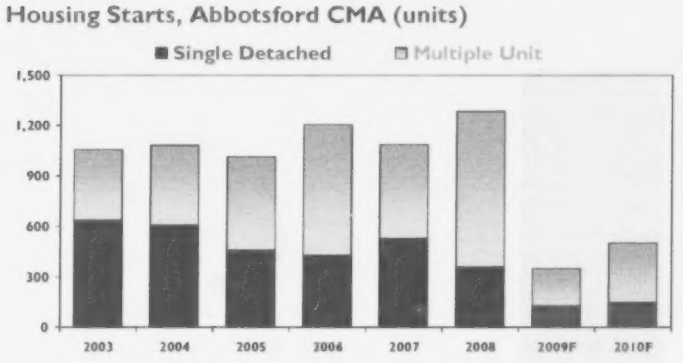
Resales and Prices to Pick-Up in the Fraser Valley



Source: FVREB, CMHC Q4 Forecast
Note: FVREB Area includes Abbotsford, Mission, Langley, Surrey, White Rock and North Delta

Figure 5

Starts to Increase



Source: CMHC, CMHC Q4 Forecast

Abbotsford Housing Starts to Increase

Housing starts in Abbotsford will increase in 2010 but fall short of the 10 year average level. The pick up in the resale market has encouraged developers to restart projects that were put on hold during the past year. Townhouse and apartment starts are expected to see the biggest increase. The number of single-detached starts will be on par with this year's level.

An ample supply of completed and unoccupied new homes in the CMA will limit the increase in housing starts for 2010. Even with the pick up in housing demand, the number of

homes that are under construction and available for immediate move-in will remain at levels similar to the high levels earlier this decade, when the market for new homes was slow. Until this inventory is reduced, developers will remain cautious about the number of new homes they will bring onto the market.

Economic Rebound in 2010 in the Abbotsford CMA

The Abbotsford CMA has felt the effects of the global economic downturn in 2009. The services sector stalled this year, while slowdowns in construction and manufacturing have dampened activity in the goods sector. Despite signs of a recovery in the latter half of 2009, economic output is expected to contract in the region.

The economic downturn has made home buyers cautious moving forward as uncertainty continues to hinder many industries in the CMA. There is evidence of improvement with the unemployment rate stabilizing and modest job growth. Low interest rates have and will continue to fuel economic growth.

The economy will improve in 2010. Public funding has helped the service sector over the last two years and will continue through 2010. Low interest rates will lift activity in the real estate and financial sectors. Rising consumer confidence will fuel retail spending.

Funding of major projects will boost employment in the goods sector. The recent announcement of $55 million for infrastructure upgrades to the Abbotsford airport will be a boost to the construction industry, which has seen declines over the last couple of years. Residential construction is expected to pick up as demand for homeownership expands next year. Manufacturing and forestry are still affected by weakened consumer demand and a high Canadian dollar.

Forecast Summary Vancouver CMA Fall 2009							
	2006	2007	2008	2009f	% chg	2010f	% chg
Resale Market							
MLS® Sales	36,479	38,978	25,149	33,000	31.2	35,000	6.1
MLS® New Listings	54,947	57,145	65,118	55,000	-15.5	57,000	3.6
MLS® Average Price ($)	509,876	570,795	593,767	580,000	-2.3	605,000	4.3
New Home Market							
Starts:							
Single-Detached	5,614	4,211	3,634	2,400	-34.0	3,000	25.0
Multiples	13,091	16,525	15,957	6,600	-58.6	10,000	51.5
Semi-Detached	676	678	709	500	-29.5	700	40.0
Row/Townhouse	2,852	2,635	2,309	2,100	-9.1	2,300	9.5
Apartments	9,563	13,212	12,939	4,000	-69.1	7,000	75.0
Starts - Total	18,705	20,736	19,591	9,000	-54.1	13,000	44.4
Average Price ($):							
Single-Detached	710,526	840,045	904,239	922,000	2.0	930,000	0.9
Median Price ($):							
Single-Detached	585,000	659,900	700,000	715,000	2.1	720,000	0.7
New Housing Price Index (% chg)	6.9	7.2	2.3	-5.0	-	-1.0	-
Rental Market							
October Vacancy Rate (%)	0.7	0.7	0.5	1.2	0.7	1.5	0.3
Two-bedroom Average Rent (October) ($)	1,045	1,084	1,124	1,164	-	1,210	-
One-bedroom Average Rent (October) ($)	816	846	880	910	-	945	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.28	6.90	6.70	4.03	-2.7	3.83	-0.2
Mortgage Rate (5 year) (%)	6.66	7.07	7.06	5.55	-1.5	5.75	0.2
Annual Employment Level	1,187,100	1,222,700	1,241,600	1,235,000	-	1,260,000	-
Employment Growth (%)	2.7	3.0	1.5	-0.5	-	2.0	-
Unemployment rate (%)	4.4	4.0	4.3	6.5	-	6.7	-
Net Migration [1]	33,025	37,495	39,600	40,000	1.0	41,000	2.5

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over
(1) 2007 & 2008 migration data are estimates

Forecast Summary Abbotsford CMA Fall 2009							
	2006	2007	2008	2009f	% chg	2010f	% chg
Resale Market[1]							
MLS® Sales	18,093	18,032	12,588	14,350	14.0	15,000	4.5
MLS® New Listings	26,287	29,920	31,826	25,000	-21.4	28,500	14.0
MLS® Average Price ($)	393,047	423,761	431,781	425,000	-1.6	437,500	2.9
New Home Market							
Starts:							
Single-Detached	427	527	358	130	-63.7	150	15.4
Multiples	780	561	927	220	-76.3	350	59.1
Semi-Detached	10	8	46	10	-78.3	25	150.0
Row/Townhouse	89	103	103	40	-61.2	100	150.0
Apartments	681	450	778	170	-78.1	225	32.4
Starts - Total	1,207	1,088	1,285	350	-72.8	500	42.9
Average Price ($):							
Single-Detached	461,583	517,840	548,363	550,000	0.3	565,000	2.7
Median Price ($):							
Single-Detached	449,000	489,950	517,950	530,000	2.3	540,000	1.9
New Housing Price Index (% chg) (B.C.)	6.5	6.4	2.1	-5.0	-	1.0	-
Rental Market							
October Vacancy Rate (%)	2.0	2.1	2.6	4.0	2.9	4.5	-0.5
Two-bedroom Average Rent (October) ($)	719	752	765	775	-	785	-
One-bedroom Average Rent (October) ($)	582	610	627	640	-	660	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.28	6.90	6.70	4.03	-2.7	3.83	-0.2
Mortgage Rate (5 year) (%)	6.66	7.07	7.06	5.55	-1.5	5.75	0.2
Annual Employment Level	82,300	84,800	88,000	85,000	-	85,000	-
Employment Growth (%)	5.1	3.0	3.8	-3.4	-	0.0	-
Unemployment rate (%)	4.6	4.2	4.9	7.5	-	8.1	-
Net Migration [2]	2,187	2,085	2,255	2,390	6.0	2,397	0.3

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), Fraser Valley Real Estate Board (figures may differ from CREA due to inclusion of only single detached and condo data), Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

(1) Resale Market data and forecasts are for the Fraser Valley Real Estate Board Area (Includes Surrey, Langley, North Delta, White Rock, Abbotsford and Mission)

(2) 2007 & 2008 migration data are estimates

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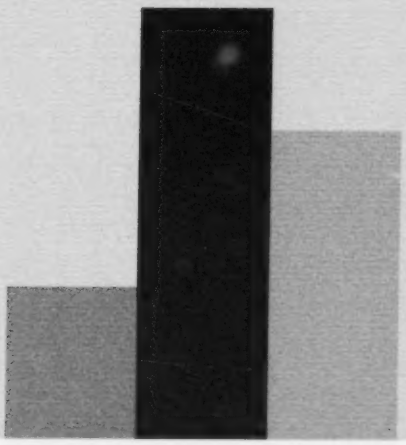

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